

## Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ADP-00 AID-20 CEA-02 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02 STR-08

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NEA-10 L-03 RSR-01 /142 W

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R 171800 Z MAY 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 5233

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION OECD PARIS

C O N F I D E N T I A L EC BRUSSELS 2754

EO 11652 GDS

TAGS: ENRG, EEC, US

SUB: ENERGY: CONSUMER COOPERATION DISCUSSIONS AT  
THE EC COMMISSION

REF: A. STATE 85913 B. STATE 86788

C. PARIS 13399 D. BONN 7012 ( ALL NOTAL)

1. SUMMARY: A KNOWLEDGEABLE EC COMMISSION OFFICIAL CITED  
COMMISSION VICE PRESIDENT SIMONET' S VISIT TO WASHINGTON AS AN  
INDICATION OF THE COMMISSION' S INTEREST IN INTERATIONAL COOP-  
3 RATION. HE ALSO SAID THE EC AND THE US SHOULD BE CONSULTING  
NOW ON PREPARATIONS FOR EMERGENCIES AND AVOIDANCE OF DESTRUC-  
TIVE COMPETITION. HE PROVIDED ADDITONAL COMMENTS ON  
SOME POINTS IN THE COMMISSION' S ENERGY PAPER. END SUMMARY.

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2. ON MAY 16, FUNKHOUSER, S/PC, AND MISSION OFFICER MET WITH GEORGES BRONDEL OF THE EC COMMISSION' S DIRECTORATE GENERAL FOR ENERGY. IN INTRODUCING FUNKHOUSER, WE INDICATED HIS INTEREST IN EXPLORING THE GENERAL SUBJECT OF COOPERATION BETWEEN THE COMMUNITY AND THE UNITED STATES IN THE FRAMEWORK OF THE CALL FOR INTERNATIONAL COOPERATION IN THE PRESIDENT' S ENERGY MESSAGE. BRONDEL SAID THAT THE SIMONET VISIT TO WASHINGTON, COMING AFTER THE EC ENERGY COUNCIL MEETING AND BEFORE THE OECD JUNE MEETINGS, IS PROBABLY THE BEST EXPRESSION OF THE COMMUNITY' S CONTINUING INTEREST IN COOPERATION WITH THE UNITED STATES. HE THEN DISCUSSED THE COMMISSION' S PRESENT THINKING REGARDING PETROLEUM AND CHARACTERIZED THE PRESENT PERIOD AS A PERIOD OF TIGHT SUPPLIES WHEN CONDITIONS ARE FAVORABLE TO OIL PRODUCING COUNTRIES. HE HIGHLIGHTED TWO PETROLEUM PROBLEM AREAS WHICH WE NEED TO BE CONSIDERING NOW.

3. THE FIRST OF THESE PROBLEM AREAS IS WHAT THE CONSUMER COUNTRIES SHOULD BE DOING TO PREPARE FOR EMERGENCIES. BRONDEL MENTIONED THE CURRENT OECD STUDY ON OIL SUPPLY AND DEMAND PROBLEMS AND SIMONET' S FOUR QUESTIONS TO UNDER SECRETARY CASEY IN MARCH ( EC BRUSSELS 1718 NOTAL) AS EXAMPLES OF CURRENT CONSIDERATION OF THIS PROBLEM. AS A SPECIFIC EXAMPLE OF PRACTICES WHICH NEED TO BE DISCUSSED DURING OUR CONSULTATIONS, HE CITED THE EUROPEAN RESERVE POOL CONCEPT IN WHICH OIL COMPANIES WOULD WITHHOLD TEN PERCENT OF THEIR SUPPLIES FROM DISTRIBUTION TO ENABLE THEM TO SHIFT SUPPLIES TO AREAS OF SHORTAGE. HOWEVER, IF THE EUROPEANS AND THE US WERE TO COORDINATE THEIR EFFORTS TO MEET SHORTAGES DURING AN EMERGENCY, THE EUROPEAN SYSTEM WOULD BECOME MORE DIFFICULT TO ADMINISTER BECAUSE THE US, WITH ITS LESSER DEPENDENCE ON IMPORTS, WOULD USE DIFFERENT CRITERIA FOR SHIFTING SUPPLIES TO AREAS FACING SHORTAGES.

4. IN DESCRIBING THE SECOND PROBLEM AREA WHICH NEEDS TO BE EXAMINED, BRONDEL USED THE TERM " DESTRUCTIVE COMPETITION" FROM THE PRESIDENT' S MESSAGE, AND SAID THAT WE MUST AVOID ANY RISK OF SUCH COMPETITION DURING THIS PERIOD OF TIGHT SUPPLIES. LEAP-FROGGING BY CONSUMERS FOR DIRECT DEALS, SUCH AS THOSE RECENTLY MADE OR REPORTED AS ABOUT TO BE MADE BY JAPANESE COMPANIES AND WESTERN INDEPENDENT COMPANIES, WERE CITED AS EXAMPLES OF DESTRUCTIVE COMPETITION. REGARDING INTRA- COMMUNITY COOPERATION, CONFIDENTIAL

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BRONDEL WENT ON TO SAY THAT THE COMMISSION BELIEVES THAT UNDERSTANDINGS BETWEEN COMPANIES AND GOVERNMENTS ARE BETTER THAN GOVERNMENTAL REGULATIONS AND THEREFORE THE COMMISSION' S RECENT PAPER ( SEE EC BRUSSELS 2504) MENTIONED THE IDEA OF " APPROVED" COMPANIES. THE COMMISSION' S IDEA IS THAT THESE COMPANIES WOULD MAKE INFORMATION AVAILABLE REGARDING THEIR PLANS AND NEGOTIATIONS AND THIS INFORMATION WOULD BE AVAILABLE TO ALL NINE

MEMBER STATE GOVERNMENTS IN ORDER TO FACILITATE THEIR COOPERATION  
AND  
TO AVOID MEMBER STATE COMPETITION. ACCORDING TO BRONDEL, THIS  
SHOULD NOT BE VIEWED BY PRODUCING STATES AS UNFAVORABLE TO THEM  
BECAUSE IT IS NOT A CONSUMER'S CARTEL BUT MERELY AN EXCHANGE  
OF INFORMATION.

5. BRONDEL SAID THE COMMISSION WANTED TO ESTABLISH, WITH ITS  
APPROVED COMPANY PROPOSAL, THE SAME KIND OF RELATIONSHIP  
WHICH ALREADY EXISTS BETWEEN THE USG AND US COMPANIES. HE ADMITTED  
THAT NEW COMPANIES PROBABLY WOULD BE IN A LESS FAVORABLE POSITION  
THAN ALREADY ESTABLISHED COMPANIES BECAUSE THEY WOULD LIKELY NOT  
WANT TO PROVIDE THE NECESSARY INFORMATION TO GAIN THE APPROVED  
STATUS. UNDER ITS APPROVED COMPANY CONCEPT, THE COMMUNITY MIGHT  
WISH AT TIMES TO CONTROL IMPORTS, WHICH IT COULD DO UNDER THE  
AUTHORITY OF THE COMMON COMMERCIAL POLICY PROVISIONS OF THE  
ROME TREATY. ALL IN ALL, BRONDEL SAID, THE APPROVED COMPANY  
PROPOSAL IN THE COMMISSION'S PAPER SHOULD BE SEEN AS AN ASPECT OF  
INTERNATIONAL COOPERATION.

6. DURING THE DISCUSSION, BRONDEL CLARIFIED SEVERAL OTHER POINTS  
IN THE COMMISSION'S PAPER. HE SAID THAT THE MENTION OF OVERALL  
APPROACH FOR MEDITERRANEAN COUNTRIES ( PARA TEN, EC BRUSSELS  
2504) IN NO WAY IS AN IMPLICATION THAT PREFERENTIAL TREATMENT  
IS FORESEEN FOR MEDITERRANEAN OIL PRODUCING STATES; THERE WILL BE  
NO SYSTEM OF PREFERENTIAL AGREEMENTS OR BILATERAL DEALS WITH OIL  
PRODUCERS. HE ALSO SAID THAT THE COMMISSION'S PAPER IS BASED ON  
THE IDEA THAT INDUSTRY MUST CONTINUE TO PLAY AN IMPORTANT ROLE  
AND MUST MAKE ITS OWN DECISIONS REGARDING FUTURE DEVELOPMENTS;  
IN THIS CONNECTION, HE SAID THE COMMUNITY DOES NOT WANT TO HAVE  
A COMMUNITY- WIDE EQUIVALENT OF ERAP OR ENI. FINALLY HE SAID  
THE COMMISSION HAS NOT DEVELOPED AS YET ANY SPECIFIC IDEAS  
REGARDING THE FRAMEWORK FOR THE SUGGESTED COOPERATION WITH THE  
UNITED STATES AND JAPAN. THIS MIGHT WELL BE A SUBJECT FOR  
DISCUSSION WITH SIMONET IN WASHINGTON.  
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GREENWALD

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